

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPROVAL OF PSC ACQUISITION AND)	
TRANSFER OF OWNERSHIP AND SERVICE)	
TERRITORY FROM THE OHIO COUNTY WATER)	CASE NO. 96-389
DISTRICT TO THE BUTLER COUNTY WATER)	
SYSTEM, INC. IN ACCORDANCE WITH KRS 278.020)	

O R D E R

On August 19, 1996, the Butler County Water System, Inc. ("Butler Water") requested the Commission grant approval to its acquisition of a portion of the Ohio County Water District's ("Ohio Water") facilities which are located in Butler County, Kentucky. Butler Water states in its request that the Ohio Water customers located in Butler County have experienced low pressure in the past. Ohio Water requested that Butler Water assume service to these customers since Butler Water currently has a water system expansion underway which can easily be connected to Ohio Water's existing system to allow service to the 11 affected customers.

The two water utilities have entered into an agreement to transfer water lines, meters, and appurtenances and the Butler County Judge/Executive has entered an Order striking the territory from Ohio Water's boundaries in accordance with KRS 74.110. Butler Water's Engineer has certified to the Commission that Butler Water has the ability to provide service to the customers within all applicable regulatory standards.

In a supplemental filing made September 17, 1996, Butler Water demonstrated that it has the financial, managerial, and technical ability to provide reasonable service to the affected customers. Butler Water has filed an adoption notice proposing that, immediately upon closing of the transaction proposed herein, the affected customers will be served under the existing rate and tariff provisions contained in Butler Water's current tariff.

807 KAR 5:011, Section 11, provides that when part of a utility's business is transferred from the operating control of one company to another, the utility who will thereafter operate the business shall assume such business subject to the rates, classifications and regulations of the utility from which the business was acquired. Succinctly stated, Butler Water must adopt the currently effective rates of Ohio Water until such time as the Commission authorizes Butler Water to provide service under its own rate schedules.¹ Butler Water's current proposal would result in an immediate rate increase to the 11 customers of approximately 48 percent based upon an average residential usage of 5,000 gallons.² As Butler Water's adoption notice does not comply with regulatory requirements, Butler Water should refile an adoption notice which complies with 807 KAR 5:011, Section 11.

¹ In most situations where a transfer of all or part of a water utility occurs, authority to serve under the acquiring utility's tariff is requested in the next rate filing under KRS 278.190 or KRS 278.023.

² Butler Water's petition demonstrates that 9 of the 11 affected customers have agreed to the transfer and resulting service by Butler Water. The other 2 customers have refused to sign the petition acquiescing in the transfer.

IT IS THEREFORE ORDERED that:

1. Butler Water's petition to acquire a portion of Ohio Water's existing service territory and to provide service to 11 customers of Ohio Water is approved.
2. Within 10 days of closing, Butler Water shall file one copy of the executed documents consummating the transaction and shall file an original and four copies of an adoption notice which complies with 807 KAR 5:011, Section 11.

Done at Frankfort, Kentucky, this 10th day of October, 1996.

PUBLIC SERVICE COMMISSION

Linda K Breadnut
Chairman

Ever J Helms
Vice Chairman

B J Helton
Commissioner

ATTEST:

Don Mills
Executive Director